

# Paying for your premiums with pretax dollars

If you are an eligible state agency or higher-education institution employee enrolling in a PEBB medical plan, your employer may deduct your medical premium from your paycheck before calculating federal withholding, Social Security, and Medicare taxes. This is allowed under the state's salary reduction plan ([WAC 182-12-116](#)).

If you are not a state agency or higher-education institution employee, ask your employer's personnel, payroll, or benefits office if they offer this benefit.

## Why should I pay my monthly medical premiums with pretax dollars?

You take home more money because taxes are calculated *after* the premium is deducted. This reduces your taxable income, which lowers your taxes and saves you money.

## Do I need to complete a form to have my medical premiums withheld pretax?

No. If you are a new employee who enrolls in PEBB medical, and your employer offers this benefit, your payroll office may automatically have the premiums deducted before calculating taxes.

If you do not want to pay your medical premiums with pretax earnings, you must complete and submit a [Premium Payment Plan Election/Change Form](#) to waive (opt out of) participation in the premium payment plan **no later than 31 days** after you become eligible for PEBB benefits (generally the first day of employment; check with your personnel, payroll, or benefits office or see [WAC 182-12-114](#) for more information).

## Can I change my mind about having my medical premiums withheld pretax?

You may change your participation (enroll, decline enrollment, or change election) during an annual open enrollment or a special open enrollment as described in [WAC 182-08-199](#).

## When would it benefit me *not* to have a pretax deduction?

If you have your medical premiums deducted pretax, it may also affect the following benefits:

- **Social Security**—If your base salary is under the \$118,500 annual maximum in 2016, participation in the premium payment plan saves you money now by reducing your Social Security taxes. However, your lifetime Social Security benefit would be calculated using the lower salary.
- **Unemployment compensation**—Participation in the premium payment plan also reduces your base salary used to calculate unemployment compensation.

If necessary, your employer may also remove you from the premium payment plan, with notice, to prevent excess tax deferral.